

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Chesaning		County Saginaw
Audit Date March 31, 2004	Opinion Date July 16, 2004	Date Accountant Report Submitted to State: July 16, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF CHESANING
Saginaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

July 16, 2004

To the Township Board
Township of Chesaning
Saginaw County, Michigan

We have audited the accompanying primary government financial statements of the Township of Chesaning, Saginaw County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Chesaning's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of the Township of Chesaning, as of March 31, 2004, and the results of its operations and the cash flows of its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States.

However, the primary government financial statements because they do not include the financial data of the component unit of the Township of Chesaning, do not purport to, and do not present fairly the financial position of the Township of Chesaning as of March 31, 2004, and results of its operations and cash flows of its nonexpendable trust fund for the year ended in conformity with accounting principles generally accepted in the United States.

To the Township Board
Township of Chesaning
Saginaw County, Michigan
July 16, 2004
Page 2

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Chesaning, Saginaw County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

<u>Assets</u>	<u>Governmental Fund Types</u>		<u>Fiduciary</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fund Types</u> <u>Trust and</u> <u>Agency</u>
Cash in bank	229 932 46	105 801 28	940 32
Investments	-	-	128 947 70
Taxes receivable	8 904 24	-	-
Special assessments receivable	9 993 15	7 942 26	-
Due from other funds	487 63	-	-
Land and improvements	-	-	-
Buildings	-	-	-
Equipment	-	-	-
Total Assets	<u>249 317 48</u>	<u>113 743 54</u>	<u>129 888 02</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	9 993 15	22 859 28	-
Due to other funds	-	-	487 63
Due to other units	-	-	60 44
Total liabilities	<u>9 993 15</u>	<u>22 859 28</u>	<u>548 07</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved for retirement benefits	-	-	128 947 70
Reserved for cemetery perpetual care	-	-	392 25
Unreserved:			
Undesignated	<u>239 324 33</u>	<u>90 884 26</u>	-
Total fund equity	<u>239 324 33</u>	<u>90 884 26</u>	<u>129 339 95</u>
Total Liabilities and Fund Equity	<u>249 317 48</u>	<u>113 743 54</u>	<u>129 888 02</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	336 674 06
-	128 947 70
-	8 904 24
-	17 935 41
-	487 63
58 962 91	58 962 91
126 808 15	126 808 15
<u>117 877 79</u>	<u>117 877 79</u>
<u>303 648 85</u>	<u>796 597 89</u>

-	32 852 43
-	487 63
-	60 44
<u>-</u>	<u>33 400 50</u>

303 648 85	303 648 85
-	128 947 70
-	392 25
-	330 208 59
<u>303 648 85</u>	<u>763 197 39</u>
<u>303 648 85</u>	<u>796 597 89</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	97 713 77	-	97 713 77
Licenses and permits	26 105 45	-	26 105 45
State revenue sharing	169 430 77	-	169 430 77
Charges for services	51 759 20	-	51 759 20
Special assessments	147 151 69	94 022 00	241 173 69
Interest	4 307 85	173 28	4 481 13
Miscellaneous	887 05	1 483 02	2 370 07
Total revenues	<u>497 355 78</u>	<u>95 678 30</u>	<u>593 034 08</u>
Expenditures:			
Legislative:			
Township Board	47 121 91	-	47 121 91
General government:			
Supervisor	9 000 00	-	9 000 00
Elections	720 00	-	720 00
Assessor	31 740 42	-	31 740 42
Audit	3 500 00	-	3 500 00
Attorney	1 770 00	-	1 770 00
Clerk	17 544 00	-	17 544 00
Board of Review	1 126 34	-	1 126 34
Treasurer	16 999 92	-	16 999 92
Building and grounds	6 954 68	-	6 954 68
Cemetery	35 790 92	-	35 790 92
Data processing	1 866 28	-	1 866 28
Public safety:			
Fire protection	147 275 06	-	147 275 06
Planning and zoning	27 759 01	-	27 759 01
Public works:			
Drains	1 411 47	-	1 411 47
Highways and streets	164 564 72	-	164 564 72
Street lighting	625 29	-	625 29
Sanitation	-	94 317 59	94 317 59
Culture and recreation:			
Parks and recreation	7 000 00	-	7 000 00

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Expenditures: (continued)			
Other:			
Health	9 634 00	-	9 634 00
Pension	17 385 72	-	17 385 72
Insurance	11 673 00	-	11 673 00
Capital outlay	7 150 15	-	7 150 15
Total expenditures	<u>568 612 89</u>	<u>94 317 59</u>	<u>662 930 48</u>
Excess (deficiency) of revenues over expenditures	(71 257 11)	1 360 71	(69 896 40)
Fund balances, April 1	<u>310 581 44</u>	<u>89 523 55</u>	<u>400 104 99</u>
Fund Balances, March 31	<u>239 324 33</u>	<u>90 884 26</u>	<u>330 208 59</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	96 500 00	97 713 77	1 213 77
Licenses and permits	25 000 00	26 105 45	1 105 45
State revenue sharing	173 000 00	169 430 77	(3 569 23)
Charges for services	54 300 00	51 759 20	(2 540 80)
Special assessments	145 000 00	147 151 69	2 151 69
Interest	7 000 00	4 307 85	(2 692 15)
Miscellaneous	9 000 00	887 05	(8 112 95)
Total revenues	<u>509 800 00</u>	<u>497 355 78</u>	<u>(12 444 22)</u>
Expenditures:			
Legislative:			
Township Board	49 240 00	47 121 91	(2 118 09)
General government:			
Supervisor	9 000 00	9 000 00	-
Elections	7 000 00	720 00	(6 280 00)
Assessor	33 050 00	31 740 42	(1 309 58)
Audit	3 500 00	3 500 00	-
Attorney	2 000 00	1 770 00	(230 00)
Clerk	17 544 00	17 544 00	-
Board of Review	1 150 00	1 126 34	(23 66)
Treasurer	17 000 00	16 999 92	(8)
Building and grounds	7 200 00	6 954 68	(245 32)
Cemetery	40 000 00	35 790 92	(4 209 08)
Data processing	6 000 00	1 866 28	(4 133 72)
Public safety:			
Fire protection	148 000 00	147 275 06	(724 94)
Planning and zoning	30 000 00	27 759 01	(2 240 99)
Public works:			
Drains	1 450 00	1 411 47	(38 53)
Highways and streets	167 800 00	164 564 72	(3 235 28)
Street lighting	1 000 00	625 29	(374 71)
Sanitation	-	-	-

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
121 120 00	94 022 00	(27 098 00)
-	173 28	173 28
-	<u>1 483 02</u>	<u>1 483 02</u>
<u>121 120 00</u>	<u>95 678 30</u>	<u>(25 441 70)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
121 120 00	94 317 59	(26 802 41)

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Culture and recreation:			
Parks and recreation	8 000 00	7 000 00	(1 000 00)
Other:			
Health	10 000 00	9 634 00	(366 00)
Pension	18 000 00	17 385 72	(614 28)
Insurance	13 000 00	11 673 00	(1 327 00)
Contingency	4 000 00	-	(4 000 00)
Capital outlay	7 200 00	7 150 15	(49 85)
Total expenditures	<u>601 134 00</u>	<u>568 612 89</u>	<u>(32 521 11)</u>
Excess (deficiency) of revenues over expenditures	(91 334 00)	(71 257 11)	20 076 89
Fund balances, April 1	<u>91 334 00</u>	<u>310 581 44</u>	<u>219 247 44</u>
Fund Balances, March 31	<u>-</u>	<u>239 324 33</u>	<u>239 324 33</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>121 120 00</u>	<u>94 317 59</u>	<u>(26 802 41)</u>
-	1 360 71	1 360 71
<u>-</u>	<u>89 523 55</u>	<u>89 523 55</u>
<u>-</u>	<u>90 884 26</u>	<u>90 884 26</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCES – NONEXPENDABLE AND PENSION TRUST FUNDS EXHIBIT D
Year Ended March 31, 2004

	Nonexpendable Trust		Total (Memorandum Only)
	Cemetery Perpetual Care	Pension Trust	
Operating revenues:			
Contributions	-	16 902 66	16 902 66
Total operating revenues	-	16 902 66	16 902 66
Less operating expenses:			
Management fees	-	1 581 80	1 581 80
Total operating expenses	-	1 581 80	1 581 80
Operating income (loss)	-	15 320 86	15 320 86
Nonoperating revenues and (expenses):			
Distributions	-	(5 980 42)	(5 980 42)
Interest income	1 62	-	1 62
Gain (loss) on investment	-	25 776 81	25 776 81
Total nonoperating revenues and (expenses)	1 62	19 796 39	19 798 01
Net income (loss)	1 62	35 117 25	35 118 87
Fund balances, April 1	390 63	93 830 45	94 221 08
Fund Balances, March 31	392 25	128 947 70	129 339 95

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINED STATEMENT OF CASH FLOWS –
NONEXPENDABLE TRUST FUND
Year Ended March 31, 2004

EXHIBIT E

	Total (Memorandum Only) Nonexpendable Trust Cemetery Perpetual Care
Cash flows from operating activities:	
Cash payments to suppliers for goods and services	-
Net cash provided (used) for operating activities	-
Cash flows from investing activities:	
Interest income	1 62
Net cash provided (used) for investing activities	1 62
Net increase (decrease) in cash and cash equivalents	1 62
Cash and cash equivalents, April 1	390 63
Cash and Cash Equivalents, March 31	392 25
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	-
Increase (decrease) in assets and liabilities	-
Net Cash Provided (Used) for Operating Activities	-

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Chesaning, Saginaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The accompanying financial statements are for the primary government of the Township of Chesaning, and do not include the financial data of the component unit of the Township, as required by generally accepted accounting principles. The component unit discussed below is considered to be part of the Township's reporting entity because of the significance of its operational or financial relationship with the Township. If this component unit had been included, it would have been presented as a discrete component unit.

Component Unit

Chesaning Public Library – The taxes of the Library are levied and collected by the Township. The taxes are transmitted to the Library by the Township. A complete financial statement can be obtained from Chesaning Public Library, 227 East Broad Street in Chesaning, Michigan.

Joint Venture

Chesaning – Brady Fire Authority – The Townships of Chesaning and Brady and the Village of Chesaning jointly established the Chesaning – Brady Fire Authority. Each Township appoints two representatives and the Village appoints one representative to serve on the administrative board. For the fiscal year ended March 31, 2004, the Township of Chesaning provided \$147,275.06 to the Fire Authority. The joint venture is not considered a part of the reporting entity of the Township of Chesaning. Separate financial statements of the joint venture may be obtained directly from them at 310 East Broad Street in Chesaning, Michigan.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The following funds compromise the Fiduciary Funds as shown in the accompanying financial statements.

Cemetery Perpetual Care Fund

The Cemetery Perpetual Care Fund is a nonexpendable trust fund. It accounts for the funds that are to be used to maintain the cemetery property.

Pension Trust Fund

The Pension Trust Fund accounts for funds contributed by the employer and employee for retirement.

Agency Fund

This fund collects and distributes delinquent taxes to the various other funds and governmental units.

Current Tax Collection Fund

The Current Tax Collection Fund accounts for the collection and disbursement of the current year's tax levy.

Account Group

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .9453 mills and the taxable value was \$104,850,892.00.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets and Depreciation

Purchases of general fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Gifts or contributions are recorded in general fixed assets at fair market value at the time received. No depreciation has been provided on these general fixed assets.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>336 674 06</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	169 395 39
Uninsured and Uncollateralized	<u>173 218 22</u>
Total Deposits	<u>342 613 61</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>128 947 70</u>
Total Investments				<u>128 947 70</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	58 962 91	-	-	58 962 91
Building	119 658 00	7 150 15	-	126 808 15
Equipment	<u>117 877 79</u>	<u>-</u>	<u>-</u>	<u>117 877 79</u>
Totals	<u>296 498 70</u>	<u>7 150 15</u>	<u>-</u>	<u>303 648 85</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	487 63	Current Tax Collection Agency	480 05 7 58
Total	<u>487 63</u>	Total	<u>487 63</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all Township elected officials, cemetery sexton and employees on a monthly salary. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Members are 100% vested from the date of employment. The Township contributed \$17,385.72 during the fiscal year ended March 31, 2004. The employees are not required to contribute to the plan but they can make voluntary contributions. This plan is recorded in a pension trust fund.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$19,542.00 and building permit expenses of \$23,815.00.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 1

Township Board:	
Salaries	8 640 00
Office help	10 558 25
Payroll taxes	8 120 43
Memberships and dues	1 981 28
Telephone	2 655 64
Mileage	623 36
Printing and publishing	2 098 90
Repairs and maintenance	2 464 39
Miscellaneous	5 816 38
Education and training	4 163 28
	<u>47 121 91</u>
Supervisor:	
Salary	<u>9 000 00</u>
Elections:	
Repairs and maintenance	<u>720 00</u>
Assessor:	
Contracted services	19 575 00
Printing and publishing	732 24
Repairs and maintenance	11 433 18
	<u>31 740 42</u>
Audit	<u>3 500 00</u>
Attorney	<u>1 770 00</u>
Clerk:	
Salary	<u>17 544 00</u>
Board of Review:	
Wages	643 43
Printing and publishing	357 93
Miscellaneous	124 98
	<u>1 126 34</u>
Treasurer:	
Salary	<u>16 999 92</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

Building and grounds:	
Wages	1 496 00
Utilities	2 542 53
Repairs and maintenance	<u>2 916 15</u>
	<u>6 954 68</u>
Cemetery:	
Sexton	4 212 00
Open and close graves	10 066 00
Lawn maintenance	14 986 00
Mileage	469 66
Printing and publishing	299 26
Utilities	397 01
Repairs and maintenance	<u>5 360 99</u>
	<u>35 790 92</u>
Data processing:	
Maintenance	<u>1 866 28</u>
Fire protection	<u>147 275 06</u>
Planning and zoning:	
Wages	25 902 00
Mileage	422 80
Printing and publishing	334 77
Repairs and maintenance	<u>1 099 44</u>
	<u>27 759 01</u>
Drains	<u>1 411 47</u>
Highways and streets	<u>164 564 72</u>
Street lighting	<u>625 29</u>
Parks and recreation	<u>7 000 00</u>
Health	<u>9 634 00</u>
Pension	<u>17 385 72</u>
Insurance	<u>11 673 00</u>
Capital outlay	<u>7 150 15</u>
Total Expenditures	<u><u>568 612 89</u></u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINING BALANCE SHEET – ALL FIDUCIARY FUNDS
March 31, 2004

EXHIBIT G

	Nonexpendable Trust		Agency	
	Cemetery Perpetual Care	Pension Trust	Current Tax Collection	Agency
<u>Assets</u>				
Cash in bank	392 25	-	540 49	7 58
Investments	-	128 947 70	-	-
Total Assets	<u>392 25</u>	<u>128 947 70</u>	<u>540 49</u>	<u>7 58</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	-	-	480 05	7 58
Due to other units	-	-	60 44	-
Total liabilities	<u>-</u>	<u>-</u>	<u>540 49</u>	<u>7 58</u>
Fund balances:				
Reserved for retirement benefits	-	128 947 70	-	-
Reserved for cemetery perpetual care	392 25	-	-	-
Total fund balances	<u>392 25</u>	<u>128 947 70</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>392 25</u>	<u>128 947 70</u>	<u>540 49</u>	<u>7 58</u>

Total

940 32
128 947 70

129 888 02

487 63

60 44

548 07

128 947 70

392 25

129 339 95

129 888 02

TOWNSHIP OF CHESANING
Saginaw County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year Ended March 31, 2004

EXHIBIT H

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	436 68	3 110 400 56	3 110 296 75	540 49
Total Assets	<u>436 68</u>	<u>3 110 400 56</u>	<u>3 110 296 75</u>	<u>540 49</u>
<u>Liabilities</u>				
Due to other funds	436 68	345 143 75	345 100 38	480 05
Due to others	-	2 765 256 81	2 765 196 37	60 44
Total Liabilities	<u>436 68</u>	<u>3 110 400 56</u>	<u>3 110 296 75</u>	<u>540 49</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in bank	5 34	43 915 86	43 913 62	7 58
Total Assets	<u>5 34</u>	<u>43 915 86</u>	<u>43 913 62</u>	<u>7 58</u>
<u>Liabilities</u>				
Due to other funds	5 34	29 113 06	29 110 82	7 58
Due to others	-	14 802 80	14 802 80	-
Total Liabilities	<u>5 34</u>	<u>43 915 86</u>	<u>43 913 62</u>	<u>7 58</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	442 02	3 154 316 42	3 154 210 37	548 07
Total Assets	<u>442 02</u>	<u>3 154 316 42</u>	<u>3 154 210 37</u>	<u>548 07</u>
<u>Liabilities</u>				
Due to other funds	442 02	374 256 81	374 211 20	487 63
Due to others	-	2 780 059 61	2 779 999 17	60 44
Total Liabilities	<u>442 02</u>	<u>3 154 316 42</u>	<u>3 154 210 37</u>	<u>548 07</u>

TOWNSHIP OF CHESANING
Saginaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT I

Cash in bank – beginning of year	<u>436 68</u>
Cash receipts:	
Property taxes	3 110 155 93
Interest	<u>244 63</u>
Total cash receipts	<u>3 110 400 56</u>
Total beginning balance and cash receipts	<u>3 110 837 24</u>
Cash disbursements:	
Township General Fund – Operating	121 862 10
Township General Fund – Fire	137 158 54
Township Refuse and Recycling Fund	86 079 74
Chesaning Public Library	91 122 42
Saginaw County	1 190 997 81
Saginaw County Intermediate School District	199 397 23
Shiawassee County Intermediate School District	2 379 12
Chesaning Union School District	959 762 62
New Lothrop School District	4 501 63
Downtown Development Authority	52 182 72
Delta College	245 070 80
State of Michigan	9 852 76
Refunds	<u>9 929 26</u>
Total cash disbursements	<u>3 110 296 75</u>
Cash in Bank – End of Year	<u>540 49</u>

CAMPBELL, KUSTERER & CO., P.C.

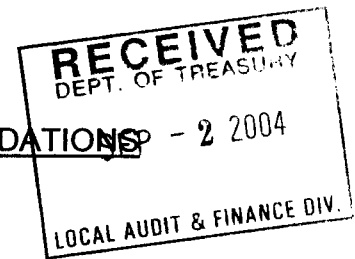
CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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P.O. BOX 686
BAY CITY, MICHIGAN 48707

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



July 16, 2004

To the Township Board
Township of Chesaning
Saginaw County, Michigan

We have audited the financial statements of the Township of Chesaning, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Chesaning in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Chesaning
Saginaw County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Chesaning
Saginaw County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Chesaning will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants